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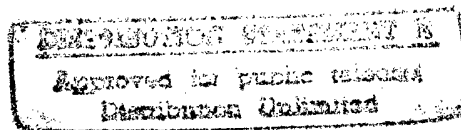
October 1996

DOD FORCE MIX ISSUES

Converting Some Support Officer Positions to Civilian Status Could Save Money



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National Security and
International Affairs Division

B-274401

October 23, 1996

The Honorable Dirk Kempthorne
Chairman

The Honorable Robert C. Byrd
Ranking Minority Member
Subcommittee on Personnel
Committee on Armed Services
United States Senate

The Honorable Robert K. Dornan
Chairman

The Honorable Owen B. Pickett
Ranking Minority Member
Subcommittee on Military Personnel
Committee on National Security
House of Representatives

In 1994, we recommended that the Secretary of Defense study opportunities to convert certain support positions from military to civilian status, since federal civilian personnel cost the military less than military personnel of roughly equal grade/rank.¹ Our 1994 detailed analysis was focused primarily on enlisted positions. Although the Department of Defense (DOD) concurred with our recommendation, it converted no positions based on this work. It also filed a congressionally mandated report on military to civilian conversions² and explained that large-scale conversions of military positions would not be undertaken until its civilian workforce stabilized at the conclusion of the drawdown. DOD had converted 3,219 positions by the end of fiscal year 1996 to comply with the requirement in the Fiscal Year 1996 National Defense Authorization Act to convert at least 3,000 positions.

We have conducted a similar analysis of commissioned officer positions using fiscal year 1996 end strength data and, in accordance with our basic legislative responsibilities, are reporting our results to you because they fall within your committees' jurisdiction. Our review is a first step in identifying officer positions that perform certain support and

¹DOD Force Mix Issues: Greater Reliance on Civilians in Support Roles Could Provide Significant Benefits (GAO/NSIAD-95-5, Oct. 19, 1994).

²Department of Defense Report on the Civilian and Military Mix in Support Occupations, Report to the House Committee on National Security and Senate Committee on Armed Services, Office of the Under Secretary of Defense (Personnel and Readiness), April 1995.

administrative functions as candidates for civilian conversion. Our specific objectives were to identify the

- criteria the services use to determine which officer positions are “military essential,” positions that DOD believes must be filled by a military person;
- positions currently filled with officers that might be filled with civilians without harming operational capabilities; and
- savings from converting positions from military to civilian status. To achieve the second objective, we developed criteria based on DOD directives and guidance before applying it to selected officer positions in support activities.

Background

DOD planned to end fiscal year 1996 with about 234,000 active duty officers. Officers serve in warfighting positions as infantry commanders and fighter pilots and support positions as civil engineering officers, personnel officers, and veterinarians. About 108,000 officers (approximately 46 percent) are assigned to support positions. As shown in table 1, the number of officers the services planned to assign to such support positions in fiscal year 1996 ranged from about 6,800 officers (Marine Corps) to about 37,900 officers (Army).

Table 1: Officer Positions by Major Defense Mission Category (fiscal Year 1996) in Thousands of Positions

	Army	Navy	Air Force	Marine Corps	Total
Warfighting missions	38.2	26.2	30.5	10.5	105.4
Defense-wide missions	5.2	4.0	10.3	0.7	20.2
Support missions	37.9	28.6	35.1	6.8	108.4
Total	81.3	58.8	75.9	18.0	234.0

Source: DOD.

The services’ downsizing efforts continued at the time of our review and DOD planned to reduce officer positions by about 11,100 to achieve an end strength of about 222,900 officers between fiscal years 1996 and 1999. Civilian pay and benefits generally cost less than military pay and benefits (excluding special classes of employees, such as air traffic controllers and law enforcement personnel). As a result, the greater the number of positions converted, the greater the savings.

Results in Brief

Since 1954, DOD Directive 1100.4 has required the services to staff positions with civilian personnel unless the services deem a position military essential for one or more reasons, including combat readiness, legal requirements, training, security, rotation, and discipline. However, the DOD directive and service implementing guidance provide local commanders with wide latitude in justifying the use of military personnel in their staffing requests.

The Army, the Navy, and the Air Force are currently staffing officers in about 9,500 administrative and support positions that civilians may be able to fill at lower cost and with greater productivity due to the civilians' much less frequent rotations. Examples of career fields that contain positions that might be converted are information and financial management.

DOD could save as much as \$95 million annually by converting the roughly 9,500 positions we identified. Savings achieved through military to civilian conversions can be used to pay for needed priorities such as weapon systems modernization.

Final cost savings and the elapsed time before all of the savings were realized would depend on how many positions DOD converted and how the conversions were carried out. On the other hand, we recognize that a number of impediments exist to military to civilian conversions, such as the ongoing civilian drawdown in DOD and a perceived preference by local commanders for military rather than civilian personnel in certain positions. These impediments are not insurmountable, but they will be difficult to overcome without direction and support from senior leaders at DOD, such as from the Office of the Secretary of Defense (OSD), and sustained attention to overcoming the impediments and developing and executing the conversion plan.

A 1954 Directive Specifies Military Essential Criteria

In 1954, DOD issued Directive 1100.4, which requires defense activities to program the minimum number of personnel needed to meet national security objectives and to use civilians whenever possible. The guidance directs the use of military personnel for any one or more of the following reasons:

- Required training is only available in the military.
- The position is needed to maintain combat readiness.
- The position requires a general military background for successful execution.

- The law requires that the position be staffed by military personnel.
- The position must be military in order to maintain good order and discipline or exercise authority under the Uniform Code of Military Justice.
- The position is needed to ensure adequate opportunities to rotate personnel from overseas locations or sea duty to tours of duty in the Continental United States (CONUS).
- The position must be military for security reasons in which the incumbent may be involved in combat, expected to use deadly force, or expected to exhibit an unquestioned response to orders.
- The position requires unusual duty hours that are not normally compatible with civilian employment.

The services, the joint activities, and the defense agencies were all created and maintained to accomplish specific missions. These activities established staffing requirements at the time their missions were tasked to include determining which positions were military essential. Since the activities were established, staffing requirements may have changed as missions or doctrine changed, technological innovations were introduced, funding priorities changed, or major reorganizations were implemented. To respond to changes requiring additional personnel, commanders determined new staffing requirements and requested authorization from their major commands to fill the positions with DOD Directive 1100.4 available as guidance in determining which positions are military essential. However, there are no DOD or service systems in place to ensure the continued validity of previous decisions regarding the military essentiality of established positions in organizations not experiencing such change. Since the establishment of officer positions can be subjective and judgmental and the services generally prefer using military rather than civilian staffing, once the positions are established, neither the services nor local commanders have much incentive to revalidate the positions and these positions often remain categorized as military essential because they already are military.

Thousands of Officer Positions Are Candidates for Conversion

Our review of 32,155 positions (or about 14 percent of all active duty officer positions) indicated that about 9,500 were candidates for military to civilian conversion. We used criteria based on DOD and service implementing guidance to evaluate such positions as research and development officer and systems automation officer in the Army, comptroller and oceanographer in the Navy, and acquisition management officer and civil engineer in the Air Force.

**Criteria Based on DOD and
Service Implementing
Guidance to Identify
Conversion Candidates**

To identify candidates for conversion, we developed criteria based on the DOD directive and service implementing guidance. Our criteria consisted of four questions that reflect the substance of the DOD criteria and considered each position to be a conversion candidate when the answer was "no" to all four. The questions were as follows:

- (1) Is the primary skill or knowledge required in the position uniquely available in the military?
- (2) Does the position have a mission to deploy to a theater of operations in wartime or during a contingency?
- (3) Does any law require that the position be staffed by a military person?
- (4) Is the position needed to support the normal rotation of servicemembers deployed overseas or afloat to assignments in CONUS?

As shown in table 2, our criteria generally agreed with DOD's.

Table 2: Comparison of DOD's and Our Military Essential Criteria

DOD Directive 1100.4	Our criteria
Training	Is the primary skill or knowledge required in the position uniquely available in the military? ^a
Combat readiness	Is the primary skill or knowledge required in the position uniquely available in the military?
Military background	Is the primary skill or knowledge required in the position uniquely available in the military?
Law	Does any law require that the position be staffed by active duty personnel?
Discipline	Does any law require that the position be staffed by active duty personnel? ^b
Rotation	Is the position needed to support the normal rotation of servicemembers deployed overseas or afloat to assignments in CONUS?
Security	Does the position have a mission to deploy to a theater of operations in wartime or during a contingency? ^c
Unusual duty hours	None ^d

^aWe considered positions military essential if the primary skill or knowledge required was not unique to the military but the incumbent had to have other substantive knowledge or experience that was unique to the military.

^bOne aspect of the DOD criteria is that incumbents must be able to exercise Uniform Code of Military Justice authority in certain positions.

^cThe DOD criteria refer to the likelihood that incumbents will be involved in combat, while ours recognizes only those that deploy to a theater of operations, which is where combat would occur. The DOD criteria also refer to the need to staff positions with military personnel because the incumbent may need to use deadly force. However, we did not consider that in our analysis because the need for deadly force while nondeployed was unlikely in nearly all of the career fields that we reviewed.

^dWe did not develop a corresponding question because civilians sometimes work unusual duty hours.

Source: DOD Directive 1100.4, "Guidance for Manpower Programs" (Aug. 20, 1954). For purposes of our analysis, we accepted positions as military essential even if the only "yes" was to the question on deployability to a theater of operations or the duty station is in a location other than in CONUS. However, DOD deployed over 14,000 civilian federal employees and contractors to the theater of operations during the Persian Gulf War, and non-CONUS locations include duty stations in Hawaii, Alaska, and other locations where combat is unlikely. Thus, deployability alone may not be sufficient justification for maintaining positions as military.

Outside experts reviewed our criteria. The experts suggested modifications to the criteria, which we adopted. These officials believed that our criteria, as modified, adequately identified military to civilian conversion candidates.

To apply our criteria, we judgmentally selected 37 career fields in the Army, the Navy, and the Air Force and, using our criteria, evaluated officer positions in those activities planned to be on the service personnel rolls at the end of fiscal year 1996. We applied our criteria by comparing military position classifications contained in relevant service manuals to position classifications contained in the Department of Labor's Dictionary of Occupational Titles. Where we found corresponding positions in each, we proceeded to our second question. To answer our second question, the services provided us with the information specifying the number of positions in each career field scheduled to deploy to a theater of operations in a contingency. We also considered all positions assigned to naval vessels or installations outside CONUS to be deployable and thus military essential. Next, we interviewed service officials to determine whether any laws required positions in our selected career fields to be staffed by active duty personnel. Finally, we used service rotation policy factors or related information to determine how many positions must be reserved as military to maintain sea to shore or overseas to CONUS rotation opportunities. The number of positions left after asking these four questions and excluding positions from further consideration became the number of positions that we believe are candidates for conversion.

We did not validate the need for any of the positions evaluated. For purposes of our analysis, we accepted all positions shown on personnel rolls for fiscal year 1996 as needed. We also did not attempt to determine whether converted positions should be staffed by federal civilian employees or contractors.

The Army Could Consider Converting About 1,000 Positions

Our review of 7,184 positions in 16 career fields in the Army indicate that about 1,000 are candidates for conversion to civilian status, as shown in table 3.

Table 3: Military to Civilian Conversion Candidates in the Army

Career field	Positions analyzed	Conversion candidates identified
Adjutant General	596	182
Comptroller	170	76
Contracting and industrial management	370	157
Foreign area officer	570	0
Logistics	588	28
Nuclear research and operations	90	0
Operations, plans, and training	841	0
Operations research/systems analysis	212	76
Ordnance	200	1
Personnel programs management	236	11
Psychological operations and civil affairs	51	0
Public affairs	133	17
Quartermaster	129	0
Research development and acquisition	955	134
Systems automation officer	641	323
Total	5,782	1,006

Note: We analyzed 1,402 positions known as "Branch Immaterial," which consists of positions whose job description does not correlate directly with a specific career field. The positions we analyzed are not included in table 3, but we found 1 position that we identified as a conversion candidate.

Source: Our analysis is based on position data supplied by the Army Force Integration Support Agency.

As part of an initial effort in 1995 to assign military essential codes to Army positions, the Army identified about 6,100 officer and enlisted positions that it coded as available for conversion to civilian status. However, Army officials were reluctant to provide us with additional details until the analysis has been validated. Army officials also told us that no conversions are planned until the Army is sure that it will be able to hire civilian personnel (despite the ongoing civilian drawdown) to execute the missions of the converted positions.

The Air Force Could Consider Converting Over 6,800 Positions

Of the 18,713 commissioned officer positions we reviewed in the Air Force, about 6,800 are candidates for military to civilian conversion, as shown in table 4.

Table 4: Military to Civilian Conversion Candidates in the Air Force

Career field	Positions analyzed	Conversion candidates identified
Acquisition management	2,545	2,058
Civil engineer	1,571	285
Communications	4,655	2,173
Financial officer	1,066	582
Information management	1,465	211
Logistics plans	647	170
Manpower	261	91
Morale, welfare, and recreation	333	25
Operations support	1,109	0
Personnel	1,131	662
Public affairs	375	61
Security police	1,013	206
Special duty	1,366	194
Transportation	467	0
Weather	709	123
Total	18,713	6,841

Sources: Our analysis is based on position data supplied by the Air Force.

Air Force manpower officials told us they believe that officers in OSD or joint duty assignments should not be considered to be conversion candidates because the Air Force does not control those positions. Our analysis included OSD and joint duty positions, but we considered them military essential based on our work with officials of the Air Force manpower office.³ However, some of these positions may also be candidates for conversion because lack of control over a position is not a military essential criterion and the Air Force would regain control over officers assigned to joint duty positions that were converted.

Air Force manpower officials also told us that opportunities may exist for military to civilian conversions in certain of the service's 38 field operating agencies. The Air Force assigned about 20,000 officers and enlisted personnel in May 1995 (excluding Air National Guard and Air Force Reserve personnel) to such field operating agencies as the Air Intelligence Agency, the Air Weather Service, and the Military Personnel Center.

³The Air Force had 2,199 officers assigned to OSD and joint duty positions at the time of our review.

In 1996, the Air Force completed a draft study called the "Minimum Military Essential Threshold" study and concluded that between 7,118 and 12,473 officer positions were candidates for conversion (depending on the methodology used) in the same career fields that we reviewed. The Air Force's study looked at a greater number of career fields and positions than we did and overall identified a range from 15,176 to 25,412 positions as potential candidates for conversion, depending on the methodology used.

The Navy Could Consider Converting About 1,600 Positions

We reviewed 6,258 Navy officer positions and concluded that about 1,600 were candidates for military to civilian conversion, as shown in table 5.

Table 5: Military to Civilian Conversion Candidates in the Navy

Career field	Positions analyzed	Conversion candidates identified
Aerospace engineering aviation maintenance	542	74
Civil engineering	1,174	431
Engineering	825	238
Oceanography	322	159
Public affairs	184	90
Supply	3,211	647
Total	6,258	1,639

Source: Our analysis is based on data supplied by the Bureau of Naval Personnel.

We were not aware of any large-scale military to civilian conversion analysis underway or completed by the Navy at the time of our review. However, we identified one study completed in December 1995 by the Naval Manpower Analysis Center that concluded that of 848 Judge Advocate General positions (in November 1995), 24 could be eliminated, 27 could be converted to other occupations, and 59 could be eliminated with their responsibilities transferred to contractors.

DOD Could Save About \$95 Million Annually by Converting About 9,500 Positions

If DOD converted all of the positions that we identified and maintained the existing grade structure, DOD could achieve annual cost savings of about \$95 million in the converted positions. Assuming DOD converted about 9,500 positions and maintained the grade structure that existed prior to

conversion, the Army could save as much as \$10 million, the Navy as much as \$16 million, and the Air Force as much as \$69 million. Savings could be much higher if the services or DOD reviewed the approximately 76,000 support positions (staffed by officers) that we did not review and identified additional conversion candidates.

We determined the average cost of military and federal civilian salary and benefits in pay grades O-1 to O-6 and general schedule grades GS-7 to GS-15 to estimate cost savings obtainable by converting positions from military to their roughly equivalent civilian pay grade. As shown in table 6, cost savings vary depending on the pay grade of the converted position.

Table 6: Average Cost Comparison of Annual Military Compensation by Pay Grade in CONUS

Rank	Military compensation ^a	Grade	Civilian compensation ^b	Civilian cost advantage
O-6	\$119,378	GS-15	\$108,334	\$11,044
O-5	100,502	GS-14	93,097	7,405
O-4	83,125	GS-12	67,394	15,731
O-3	67,469	GS-11	56,686	10,783
O-2	54,198	GS-9	47,333	6,865
O-1	40,458	GS-7	39,197	1,261

Note: All costs shown are costs to the government only.

^aMilitary compensation includes average basic pay; basic allowance for quarters, including the variable housing allowance; basic allowance for subsistence; the tax advantage accruing by virtue of the nontaxability of the allowances; an employer's contribution for the Federal Insurance Contribution Act (FICA) and Medicare; an estimate of the cost of providing health care to servicemembers and their families; and the value of benefit accruals under the military retirement system. All benefits are in fiscal year 1996 numbers, except health care, which is in 1995 numbers.

^bCivilian compensation includes salary paid at step 5 of the general schedule; an average CONUS-based locality adjustment of 5.57 percent; government contributions to the Federal Employees Retirement System, including matching contributions to the Thrift Savings Plan; participation in the Federal Employees Health Benefit Program; the Federal Employees Group Life Insurance Program; employer contributions for FICA and Medicare; and miscellaneous fringe benefits such as workers' compensation and awards or bonuses.

Sources: Our analysis is based on data supplied by OSD (Force Management Policy, Directorate of Compensation); the Office of Management and Budget (OMB); OMB Circular A-76, Performance of Commercial Activities; and our 1994 report on military to civilian conversions. Grade equivalencies are based on comparisons established for Geneva Convention purposes (DOD Instruction 1000.1, Jan. 30, 1974).

DOD and the services have been looking for ways to fund initiatives such as weapon systems modernization by saving money in current operations.

For example, as we reported in July 1996,⁴ the military personnel accounts fund a sizable portion of DOD's infrastructure, which DOD wants to decrease to help pay for modern weapon systems. Also, the Army has a number of streamlining initiatives underway intended to save as much as \$8 billion. Military to civilian conversions can offer additional opportunities to help fund modernization.

However, final cost savings and the elapsed time before the full savings are realized will depend on the number of positions converted and the way conversions are carried out. DOD can convert positions to civilian status, but it would have to cut the military force structure to achieve savings.⁵ On the other hand, DOD can maintain the existing force structure and increase positions in career fields with identified shortages of authorizations. However, maintaining the force structure should only be done with adequate justification because DOD would experience a net increase in costs if it maintains the same size force structure after conversion since no military positions would be eliminated and civilian or contractor staffing would increase.

Impediments Limit the Services' Ability to Convert Positions to Civilian Status

Finally, as we reported in our 1994 report on military to civilian conversions, a number of impediments exist to military to civilian conversions. First, given the latitude of the services' guidance and instructions, local commanders are able to and may often prefer to use servicemembers due to a perceived greater degree of control over staff. Second, local commanders may have little guarantee that funding will be provided for converted positions. Military pay is provided through the service personnel accounts and funding will be available to continue staffing the position. But because civilian pay is budgeted in a variety of operation and maintenance accounts that also fund such other needs as the purchase of fuel, spare parts for weapons and equipment, and training of military personnel, the services may have different priorities than providing sufficient civilian pay to support conversions. Thus, a local commander who chooses to convert a position risks losing the military position with little assurance that adequate funding will be provided to hire a civilian replacement. Finally, DOD believes the ongoing civilian personnel drawdown would make more difficult the task of converting

⁴Defense Budget: Trends in Active Military Personnel Compensation Accounts for 1990-97 (GAO/NSIAD-96-183, July 9, 1996).

⁵Congressional approval may be required to cut the military force structure.

positions until the drawdown ends. However, as we reported in April 1996,⁶ DOD programmed a civilian drawdown of 26 percent from fiscal years 1993 to 2001, more than double the 12-percent recommended by the White House's National Performance Review. As a result, DOD could slow the rate of the civilian drawdown to provide civilian staff to fill the approximately 9,500 conversion candidates that we identified in this report. These impediments are not insurmountable, but will be difficult to overcome without direction and support from DOD's senior leadership, such as from OSD, and sustained attention to carrying out conversions by senior-level staff to overcome the impediments and develop and execute the conversion plan.

Recommendations

We recommend that the Secretary of Defense overcome the impediments to conversion, develop a plan to convert officer positions in support activities that are not military essential, and require that the services implement the plan and report back to the Secretary on progress in implementing the conversion plan.

To ensure that decisions identifying positions as military essential remain valid, we recommend that the Secretary of Defense develop a process to ensure that the need for military staffing in support positions is reassessed when major changes or reorganizations occur.

Agency Comments and Our Evaluation

DOD generally concurred with our report and acknowledged that support positions exist that could be converted by the services and that cost savings and other advantages can be obtained through such conversions. DOD indicated that it would convene a series of meetings by the end of October 1996 involving OSD, the services, and joint staff representatives to develop approaches to facilitate conversions. Because DOD converted no positions based on our 1994 review of enlisted position conversion opportunities, these meetings should consider both officer and enlisted positions for conversion.

DOD did not agree with our original recommendation to convene a joint review board to facilitate conversions. But because DOD's approach involving high level support meets the intent of our first recommendation to overcome the impediments and facilitate conversions, we have revised

⁶Civilian Downsizing: Unit Readiness Not Adversely Affected, but Future Reductions a Concern (GAO/NSIAD-96-143BR, Apr. 22, 1996).

our recommendation by deleting our suggestion that a joint review board be convened.

DOD also stated that it has resisted provisions forcing conversions in the past and that impediments such as lack of consistent funding to hire civilians, the civilian drawdown, and the congressionally mandated minimum military strength remain its principle concerns. DOD further stated that our report does not offer adequate resolution to the impediments to conversion. Developing solutions to the impediments was beyond the scope of our work, although the impediments do not appear insurmountable. First, DOD indicated that it cannot be assured of consistent funding for civilian replacements without congressional action. While this may be true, DOD can submit a proposed budget for congressional action in the next budget cycle to reduce the military personnel accounts and increase the operations and maintenance accounts to pay civilian replacements. If DOD wants to change personnel account and operations and maintenance fund appropriations in this fiscal year, it will have to request congressional action. Once sufficient operations and maintenance funds are appropriated, DOD would have to ensure that the services use the funds to hire civilians and not for other purposes (for which operations and maintenance funds are also available). Second, DOD stated that conversions run contrary to the ongoing civilian drawdown. We disagree. Conversions do not necessarily have to counteract plans to reduce the size of government. For example, DOD currently plans to reduce civilian end strength by 26 percent between fiscal year 1993 and 2001. If DOD reduced civilian end strength by about 25 percent (rather than 26 percent), it would have enough civilian authorizations to replace the 9,500 officers that we identified in this report. Third, DOD stated that the minimum military strength mandated by Congress is an impediment to conversion. However, conversion of support positions from military to civilian status would not affect military capability, but merely lower the cost of getting support work done, freeing up funds that could be used to enhance modernization. As stated earlier, achievement of savings depends on elimination of the military authorizations freed up by conversion rather than reassigning to meet other needs. Therefore, DOD could request that Congress revise minimum military strength in the next congressional session if revisions are needed to facilitate conversions and achieve cost savings.

DOD stated that it could not comment on the positions we identified for conversion due to a lack of specifics in the report. In our report, we identified the number of positions that we believe are candidates for

conversion. Although we could have specified which positions we recommended for conversion, we did not because we wanted to avoid unnecessarily limiting DOD's discretion to select positions for conversion. DOD also stated that our review reflected a point in time and did not take into account programmed reductions. While it is true that our review did reflect a point in time (the end of fiscal year 1996), DOD can convert any positions still on personnel rolls after fiscal year 1996 that are not military essential.

Finally, DOD stated that it had concerns about the methodology that we proposed for identifying positions for conversion. Our methodology is one of at least five that we are aware of that DOD could use. For example, in 1996, the Air Force applied three different methodologies for identifying military essential (and non-essential) positions and concluded that over 25,000 officer positions could be converted using one approach. When we compared the results of the Air Force's most conservative analysis with our own in the 15 career fields that we reviewed, we found that in 11 of 15 career fields, ours and the Air Force's analyses differed by less than 100 positions per career field out of over 18,000 positions analyzed. In addition, the Army identified over 6,000 positions that it concluded were not military essential. DOD could select one or a combination of any of the methodologies developed.

DOD's comments are reprinted in appendix I. DOD also provided some technical corrections that we have incorporated into the text of our report as appropriate.

Scope and Methodology

We reviewed DOD's 1995 report to Congress on military to civilian conversions, DOD directives, service orders and guidance, manuals, and military to civilian conversion analyses conducted by the services. We also interviewed officials and reviewed documents from the Office of the Assistant Secretary of Defense (Force Management Policy); the Army's Directorate of Manpower; the Bureau of Naval Personnel and the Air Force's Directorate of Program and Evaluation in Washington, D.C.; the Army's Force Integration Support Agency in Virginia; the Naval Manpower Analysis Center in Tennessee; and the Air Force Personnel Center in Texas. We used information obtained from some of these sources to develop our military essential criteria. We relied on our work in 1994 to identify impediments to conversion and we found no evidence that any of the impediments had changed.

To estimate the potential cost savings to be obtained from conversions, we compared the cost to the government of military pay, benefits, and employer contributions such as that required under FICA with similar costs likely to be incurred if the same positions were staffed with civilians of comparable pay grades. To determine military costs, we multiplied the average cash and in-kind compensation averages in officer grades from O-1 to O-6 provided by the Assistant Secretary of Defense (Force Management Policy, Directorate of Compensation) by the number of positions we identified as military to civilian conversion candidates. To account for differences in the number of positions available for conversion at the different grades (and consequently to recognize differences in cost savings at each grade), we multiplied the applicable pay grade average cost savings by the number of positions in the same pay grade that we believe should be converted. We also assumed that the percentage of positions at each pay grade remained the same before and after conversion.

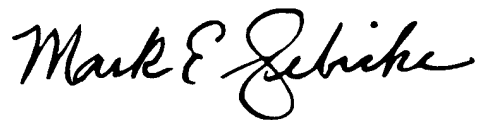
To estimate the cost to the government of staffing converted positions, we used cost factors provided to us by OMB; OMB Circular A-76, Performance of Commercial Activities, which includes instructions to federal agencies on determining the cost of federal pay and benefits; and information from the Office of Personnel Management. For purposes of our analysis, we assumed federal pay to be that paid at step 5 of the general schedule for each applicable pay grade (because that is approximately the average pay step within the pay grades and we used average military pay in estimating the cost of military personnel). In accordance with instructions from OMB, we multiplied annual salary (at step 5, including the average CONUS-based locality adjustment of 5.57 percent) by specified cost factors to determine the cost to the government of (1) the Federal Employees Retirement System and government contributions to the Thrift Savings Plan, (2) the employer's contribution for FICA, (3) the Federal Employees Group Life Insurance Program, and (4) the civilian retiree health care. We used Office of Personnel Management cost data to estimate the cost to the government of providing civilian health insurance coverage for current employees under the Federal Employees Health Benefit Program. Finally, we used OMB Circular A-76 to estimate the cost of miscellaneous fringe benefits such as workers' compensation and bonuses or other awards. As recommended by an OMB official, we assumed that any converted position would be staffed by a civilian employee covered under the Federal Employees Retirement System. We restricted our analysis to those civilian occupations not considered special class employees, such as air traffic

controllers or law enforcement personnel. If converted positions are in special classes, cost savings may be smaller or non-existent.

We conducted our work from December 1995 to September 1996 in accordance with generally accepted government auditing standards.

We will send copies of this report to other interested congressional committees; the Secretaries of Defense, the Army, the Navy, and the Air Force; and the Director, OMB. Copies will be made available to others upon request.

The major contributors to this report are listed in appendix II. If you have any questions about this report, please contact me on (202) 512-5140.



Mark E. Gebicke
Director, Military Operations and
Capabilities Issues

Comments From the Department of Defense



PERSONNEL AND
READINESS

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OCT 4 1996

Mr. Henry L Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Hinton:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DOD FORCE MIX ISSUES: Civilianization of Some Support Officers' Positions Could Save Money," dated September 10, 1996 (GAO Code 703103), OSD Case 1224. The DoD partially concurs with the report.

As you are aware, the Department of Defense has routinely appealed provisions forcing military-to-civilian conversions. Impediments such as lack of consistent funding for the hiring of the civilian replacements, the ongoing civilian personnel drawdown, and military strength floors remain our principal concerns. For example, if as the report recommends, DoD slows down the rate of the civilian drawdown to provide civilian staff to fill the conversion candidates identified, DoD would incur the costs of the additional employees, absent any legislation to transfer funds. Unfortunately, the solutions proposed by GAO do not adequately resolve these difficulties and are, in some respects, contrary to the general thrust by Congress and the administration to reduce the size of government. As long as military strength floors remain, conversion initiatives will be difficult to accomplish.

Attached to this letter are comments on the two specific recommendations contained in the draft report. In summary, the Department of Defense does acknowledge that support positions exist which could be converted by the Military Services. However, due to a lack of specifics in the draft, it is difficult to comment specifically on the positions or numbers of positions identified for conversion by the GAO. We are concerned that these positions merely reflect a "point-in-time" and do not take into account programmed reductions. We will be submitting a more detailed response that will address the concerns raised during the review process; specifically with the methodology of billet identification and mechanics and impacts of the conversion process.

The Department appreciates the opportunity to comment on the draft report. My point of contact on this matter is CDR Dave Skocik. He can be reached at 614-5133, or electronically at skocikd@smtpgate.fmp.osd.mil.

Sincerely,

Edwin Dorn



Attachment:
As stated